

GOVERNOR'S PROPERTY TAX PLAN

1. Tax new commercial property at 60% of its assessed value and reduce taxes on existing commercial property by 8% a year for five years. At the end of five years all commercial property will be taxed at 60% of its value.
2. Tax new industrial property at 60% of its assessed value and reduce taxes on existing industrial property by 8% a year for five years. At the end of five years all industrial property will be taxed at 60% of its value.
3. Local governments will be compensated for the loss of revenue in two ways:
 - a. All new commercial and industrial property will provide local governments with new revenue, even if it is taxed as 60% of value.
 - b. The state will provide a \$50 million back fill for each 8% of the rollback reduction on existing commercial and industrial property. This means \$50 million in year one, \$100 million in year two, growing to an annual appropriation of \$250 million by year five.
4. Residential and agricultural taxpayers will be further protected as the Governor's plan also reduces the current cap on state property valuation growth from 4% to 2%.

FISCAL IMPACT

- Cost of the plan will average \$113.5 million a year for each 8% of the "correction" holding rates, assessments changes, and rollback constant.
- Total cost of the plan to local governments at the end of the five years is \$564 million.
- Total annual appropriation from state government at the end of five years is \$250 million.
- If NOTHING changes in current property tax law, local governments may collect up to **\$1.3 billion** in cumulative property tax increases over the next five years (due to the effects of the residential and agricultural property tax rollback formula that will expose more of the property tax base to actual taxation over the next five years. Assumes conservative estimate that new property will be added to the property tax rolls at a 2% annual rate—far below the 5% annual rate over the last 10 years.).
- If the Governor's program is adopted in its entirety, using the same assumptions above, local governments will still see \$437 million in cumulative revenue increases over the five year period on a statewide basis (knowing the results for individual local governments will vary).
- Thus, there is little evidence to support local government claims that the Governor's program will starve local governments or cripple the ability of local governments to meet the service delivery needs of their citizens.
- Only in government is \$437 million in NEW revenue characterized as a CUT.